

Members

Rep. Markt Lytle, Chair
Rep. John Frenz
Rep. William Friend
Rep. Richard Mangus
Sen. David Ford
Sen. Johnny Nugent
Sen. Katie Wolf
Sen. Richard Young



AGRICULTURAL MATTERS EVALUATION COMMITTEE

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Authority: IC 2-5-21

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MEETING MINUTES¹

Meeting Date: October 6, 1999
Meeting Time: 1:00 P.M.
Meeting Place: Miami County Courthouse, GAR Room
Meeting City: Peru, Indiana
Meeting Number: 2

Members Present: Rep. Markt Lytle, Chair; Rep. William Friend; Rep. Richard Mangus; Sen. David Ford.

Members Absent: Rep. John Frenz; Sen. Johnny Nugent; Sen. Katie Wolf; Sen. Richard Young.

Rep. Markt Lytle, Chair of the Committee, called the meeting to order. Members and staff introduced themselves.

Farmland Preservation

Sen. David Ford prefaced his remarks by stating that he has always worked to protect the property rights of farmers to ensure that property and rights should not be taken involuntarily. He added that the goals of farmland preservation can benefit everyone and that the guiding principles of farmland preservation should be: (1) smart growth rather than no growth; (2) everyone's rights should be protected; and (3) preservation efforts should be conducted principally at the local level.

Referring to a copy of the Hoosier Farmland Preservation Task Force: Final Report (Exhibit 1), Sen. Ford stated that Recommendation #1 recommending the formation of the Indiana Land Resources Council was currently being implemented. Sen. Ford stated that he wanted to focus on Recommendation #4 for enacting enabling legislation to allow counties, local communities, and planning agencies to pursue innovative methods of preserving farmland.

¹Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

Two video tapes produced by the Michigan Department of Agriculture and the Michigan Farm Bureau were shown to the committee. The videos outlined the causes of the problem and the economic importance of agriculture. In addition to farmland being taken out of production, outward migration of people from urban areas can lead to lower density housing in rural areas and increased demands and costs for infrastructure with implications for property taxes. It was noted that farmland requires \$.30 to \$.70 in services for every dollar of property tax generated, while other land uses can require more than a dollar in services for every dollar generated in property tax.

The videos suggested several tools and options available to states and communities. Available options include: (1) Encouraging more value-added processing to increase the viability of agriculture to better compete with non-agricultural uses of land; (2) Local zoning options, including clustering, that can impact the density of residential uses of rural land; (3) Michigan's program where farmers can agree to limit development in exchange for tax credits; (4) Agricultural Security Areas that can be initiated by land owners and that provide tax incentives for the purpose of preserving blocks of agricultural land in the form of buffer strips or cluster development of residential housing; (5) The purchase of development rights (PDRs) where there is a voluntary sale of the right to develop a piece of property by the land owner to a government agency or land trust while land owners retain full ownership and use of their land for agricultural purposes; (6) The transfer of development rights (TDRs) where land owners are allowed to transfer the right to develop one parcel of land to a more suitable parcel of land in order to prevent farmland conversion; and (7) Urban redevelopment. Sen. Ford stated that some of these options can be enhanced by legislation.

Sen. Ford told of being one of 19 Hoosiers and more than a hundred individuals from other states who recently attended a farmland preservation conference in some eastern states where preservation efforts have taken place. He stated that the experience in other states has shown that the general public has been overwhelmingly in support of farmland preservation efforts. He added that, although Indiana has not come as far with legislation, an Indiana statute on conservation easements was enacted in 1984. However, the reason the statute has never been used is because of a lack of funding. Sen. Ford indicated that there is a need for legislation to allow for the provision of seed money and suggested that a portion of the revenues from the sale of the environmental license plate may serve as a suitable source of funds. The environmental license plate currently funds the Heritage Trust Program. Sen. Ford stated that one advantage of farmland preservation efforts over the public ownership of land is that preserved farmland still generate property tax revenue.

Sen. Ford also provided a set of background documents (Exhibit 2) consisting of: (1) the Indiana statute regarding conservation easements (IC 32-5-2.6); (2) the Kentucky statute on transfers of development rights (Ky. Rev. Stat. Ann. sec. 100.208); (3) the Kentucky statute on the purchase of agricultural conservation easements (Ky. Rev. Stat. Ann. secs. 262.900 to -.920); (4) the Tennessee statute on the transfer of development rights (Tenn. Code Ann. 13-7-101); and web documents describing (5) transfer of development rights; (6) purchase of agricultural conservation easements; (7) sources of funding for the purchase of agricultural easements; and (8) an Indiana Business Review Update on Urban and Rural Growth Patterns (Indiana Business Research Center, Indiana University, September 1999, Vol. 74, No. 9).

Mr. Jim Hoyer, Citizens Action Coalition, stated that Tennessee has a "farm license plate". Rep. Lytle suggested that sales of the environmental license plate might actually increase if the funds have an additional use as some farmers might now have some reluctance to purchase the plates. Mr. Bob Kraft, Indiana Farm Bureau, added that, regarding the Heritage Trust Program, part of Indiana's heritage is our agricultural heritage and, thus, a strong argument could be made that using some of these funds to help preserve our agricultural heritage would be an appropriate use of the funds. He also added that it might be useful to allow a license

plate purchaser the ability to designate the intended use of the funds at the time of purchase.

Mr. Joseph R. Pearson, Assistant Commissioner of Agriculture, suggested that the need for farmland preservation was not an urban vs. rural issue. Instead, he was interested in a balance. These programs preserve property rights. He added that Indiana's agriculture parallels Michigan's, as described in the videos. Out of Indiana's 22 million acres, about 15 million acres are still in farmland or forest. When the report on farmland preservation, referenced above, was written, about 90,000 acres per year of farmland and forest were lost. Now, we are losing about 100,000 acres per year. He stated that this rate is equivalent to losing 3½ 80 acre farms every day.

Sen. Ford suggested that possible legislative recommendations for this year might be to: (1) access some funds from the sale of the Environmental license plate; and (2) establish enabling legislation to allow local governments to enact some farmland preservation options. Sen. Ford stated that often at the local level there is a question about whether certain actions are permitted under the law. Sen. Ford suggested that farmland preservation options probably are permitted under current statute, but since they are not explicitly permitted, there is a general reluctance to proceed with any preservation effort. He added that we should make explicit in statute what tools are available to a community.

Public Testimony

Mr. Larry Coomer, Indiana Farmers' Union, stated that development is really affecting farmers in Eastern Allen County. Some farmers sell some land for development providing them with lots of money. Then, other farmers find it difficult to compete with them for other land. Mr. Coomer also suggested that sometimes local governments don't make good decisions and that it may be better to let the state make the decisions. He added that the state needs to be doing more to help Indiana's farmers.

Mr. Bob Kraft, Indiana Farm Bureau, stated that the proposed property tax reassessment will increase the basic value of farmland from \$495 to \$1,050 per acre. He added that 1% of the population is paying 7.6% of the property taxes. Mr. Kraft also suggested that if the idea of a "shelter allowance" is found to be constitutional, that perhaps there should also be an "open space allowance".

Ms. Marge Hefner, farmer from Kouts, IN, stated that local politics is a serious problem, not the solution. She related a story about her county's Commissioner and his real estate interests. Ms. Hefner stated that big companies and corporations are exempt from property taxes, farmers should be exempt, also.

Mr. Jim Hoyer, Citizens Action Coalition, stated that Purdue University expects Indiana will lose 10% of its farmers during the next two years. Mr. Hoyer added that there should be some consideration of establishing state-sponsored cooperatives and direct marketing initiatives for crops. Mr. Hoyer also stated that property taxes need to be reduced for farmers. He also described legislation that had been considered in Minnesota that would put state dollars into a processing plant, but that would limit the amount of product that could be sold to the plant by any individual producer.

Ms. Rolene Kalwitz, farmer from Wanatah, IN, referring to the farmland preservation issue, stated that it is important to work with the developers, also. She added that the state has to come up with some money to make the preservation efforts work. Ms. Kalwitz told of her problems with contracting with corporations. She also told of difficulties getting loans and of problems dealing with banks. She stated that farmers need access to long term loans with low interest rates. Ms. Kalwitz also stated that a person's property should not have to be sold at a

Sheriff's sale. She also complained of trash coming into Indiana from states like New Jersey.

Ms. Dolores Schafer, in written testimony to the Committee (Exhibit 3), made the following statements: (1) The top priority should be increased prices for commodities; (2) The Freedom-to-Farm Act is a disaster and should be lobbied against; (3) The state should help establish or subsidize elevators, stockyards, and processors; (4) Purdue should deal more with the needs of small farmers; (5) More assistance is needed in the area of farm loans; (6) Family farmers should be provided assistance in meeting the high cost of meeting EPA regulations regarding manure disposal; (7) The state should consider providing assistance in the cost of establishing commodity storage facilities; (8) The state should fight the concentration of hog, poultry, and beef operations and vertical integration; and (9) A dairy bill should be supported which favors the producers, rather than the processors.

Report on the Indiana Agricultural Crisis Working Group

Mr. Joseph Pearson, Assistant Commissioner of Agriculture, reported on the Indiana Agricultural Crisis Working Group and provided a document (Exhibit 4) summarizing the recommendations of the Working Group. The report of the Working Group includes recommendations regarding: (1) the level and stability of farm income; (2) assuring competition; (3) international trade; (4) research and product development; (5) production regulations; and (6) short-term strategies.

Mr. Pearson stated that we are currently looking at one of the strongest general economies, ever. But the agricultural sector is exactly the opposite. Soybean prices are the lowest in 30 years and Corn prices are the lowest that have occurred in over 10 years. He stated that the cash flow just isn't there. He stated that this is a result of the Asian economic crisis which hurts American exports, a strong dollar, and a crisis in the pork industry where breakeven cost is around \$.38 per pound and prices having gone as low as \$.14 to \$.15 per pound. Mr. Pearson estimated that Indiana may lose 15% to 20% of its pork producers this year.

Mr. Pearson stated that: (1) they have been working on, but still need to do more in the area of value-added processing; (2) the Pseudo-Rabies program, along with several other initiatives need to be continued; and (3) people have had some trouble with the State Treasurer's Agricultural Loan Program (TARP), but that the Treasurer is trying to readjust the program to make it more useable for people. He added that if we don't have a strong agricultural economy, we won't have strong main streets.

The next meeting was determined to be Thursday, October 21, at 1 p.m. in the Scottsburg City Council Chambers in Scottsburg, IN. The primary topics for discussion will be the Tobacco Settlement and any proposed legislative recommendations.

There being no further business to conduct, the meeting was adjourned.